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Dianne Wampler 08/08/2006 05:19:14 PM From DB/Inbox: Dianne Wampler

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Text:

UNCLAS ISTANBUL 01387

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TO RUEHC/SECSTATE WASHDC PRIORITY 5577  
INFO RUEHZL/EUROPEAN POLITICAL COLLECTIVE PRIORITY  
RUEHUNV/USMISSION UNVIE VIENNA PRIORITY 0007  
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UNCLAS SECTION 01 OF 03 ISTANBUL 001387

SIPDIS

PARIS FOR USMISSION OECD  
VIENNA FOR USMISSION OSCE

E.O. 12958: N/A

TAGS: [ECON](#) [EINV](#) [EFIN](#) [TU](#)  
SUBJECT: OECD/OSCE CONFERENCE ON INVESTMENT AND DEVELOPMENT IN  
CENTRAL ASIA AND THE CAUCASUS

1. Summary: OECD and OSCE jointly sponsored, and the Government of Turkey hosted, a meeting July 11-12 to assess interest of the countries in Central Asia and the Caucasus in an investment and development initiative similar to regional initiatives that OECD has undertaken with USG support in South East Europe and the Middle East and North Africa. Most countries from the region were represented at deputy minister/director general or head of investment agency level and expressed strong interest in support from OECD and other institutions in efforts to improve their investment climate and support economic development and integration within the region. Other international and regional development institutions were represented, including the World Bank (IFC and FIAS). They generally supported the initiative and expressed interest in coordination of their and OECD/OSCE efforts in the region. Afghanistan was also represented by the head of their Investment Support Agency. They expressed strong interest in participation and highlighting their potential role as a link to other markets in South Asia. A chairman's summary approved by participants endorsed the OECD/OSCE proposal (including participation by Afghanistan). Participants agreed to organize a meeting for September or October at which a work program for the initiative could be discussed and to seek the support of donor countries and institutions. Turkey agreed to host again in Istanbul. OECD secretariat intends additional activities in Paris in July and September to secure further support from its member countries for the program. End Summary.

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Countries Attended  
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2. Afghanistan, Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgyz Republic, Ukraine, Uzbekistan, and Tajikistan participated. OECD members Belgium, Greece, Switzerland and the United States attended. Romania and Russia also participated. Wes Scholz, Director of State Department's Office of Investment Affairs represented the United States. In addition to OECD, OSCE, IFC and FIAS, other

organizations represented included; UNDP, UNIDO, UN Economic Commission for Europe, and the Organization of Black Sea Economic Cooperation. The Wolfensohn Center of the Brookings Institution was also represented by former World Bank VP for Central Asia Johannes Linn.

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Regional Countries Participated  
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¶3. Regional countries participated actively in the discussions, welcomed the initiative of OECD and OSCE and asked many questions of OECD about its similar programs in Southeast Europe and the Middle East and North Africa. The other organizations present endorsed the need for greater efforts to support the region's integration and development and endorsed the call by the United States and Brookings representatives for OECD and OSCE to coordinate closely with efforts already underway in the region in an effort to complement those activities and minimize confusion or conflicting signals for the countries in the region. Representatives from these organizations also expressed their interest in coordinating with OECD and OSCE.

¶4. Both elements of the OECD/OSCE proposal received support from most participants (i.e., the proposal for assistance in policy reform to improve the investment climate and the proposal for the OECD Development Center in Istanbul for a regional economic outlook providing analysis of macroeconomic and structural policies and performance.) The elements are described in more detail in the Chairman's Summary below. In sidebars with the United States some delegations acknowledged that the policy reform element was more important than the outlook element. However, both proposals were endorsed in the summary with no participants objecting. Turkey, Romania and Greece were particularly insistent on the value of the economic outlook element in side bars with the U.S. rep.

¶5. The OECD secretariat told the U.S. rep that the proposal will be discussed at the OECD Development Center Board Meeting in Paris on July 18, and although the United States was not a member it would be welcome to participate. Turkey and Romania stressed that any financial support for the outlook element would be ODA eligible. The proposal will also be discussed in a July 20 meeting of the OECD external relations committee on July 20 and at the Investment Committee meeting in September. In conversations with the U.S. rep Turkey expressed their intention to contact key OECD member missions in Paris to brief them on the meeting results, to pledge their intent to support the initiative financially and solicit political and financial support from them as well. They believe support by the United States will be of particular importance in terms of securing support from other OECD member governments. They believe from their preliminary contacts that Japan, UK, Switzerland, Italy and the UK are good possibilities as well.

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Side Meetings With OCED AND FIAS  
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¶6. In a side meeting with OECD and FIAS, the U.S. rep proposed that OECD consider inviting the other key institutions active in the region to a meeting to discuss their respective programs in the region and how they can complement one another. Both agreed that this would be desirable and OECD intends to follow-up. Also in side discussions with OECD, OSCE and Turkey, the U.S. rep stressed the importance of including Afghanistan for the reasons outlined by the Afghan rep. They agreed and, other than reported questions raised by the Russian rep with OSCE, no objections or questions were raised by others and Afghanistan is included in the proposal.

¶7. The participants list will be faxed to posts from Washington and the Chairman's Summary follows:

Begin text  
CHAIRS' SUMMARY

On 11-12 July OECD and OSCE in cooperation with the Turkish government organized a conference at the Istanbul Center for Private Sector Development.

The conference brought together governmental officials of

Afghanistan, Armenia, Azerbaijan, Georgia, Kazakhstan, the Kyrgyz Republic, Tajikistan, Ukraine and Uzbekistan. Other countries represented included Turkey as the host country, Belgium in its capacity of the OSCE Chairmanship, Greece, Romania, the Russian Federation, Switzerland and the United States. In addition to the co-organizers, the following international organizations were represented: UNIDO, the UNECE, the UNDP, the World Bank Group (FIAS and IFC), the BSEC and the International Centre for Black Sea Studies (ICBSS). There were also a few representatives of the private sector, academia and NGOs.

The purpose of the meeting was to explore the possibilities for developing an initiative on investment and development in the Central Asia and Black Sea regions, with the support of donor countries and international organizations.

In the conference a number of conclusions emerged:

- The countries of the Black Sea and Central Asia regions face new challenges as well as opportunities in today's globalized economy; they have strong potential, but not enough investment.
- Many international investment initiatives have been undertaken in those regions, but rather in bilateral formats, without sufficient coherence between the various actors and actions.
- There is a need for a regional approach in improving the investment climate and promoting investment, achieving a better co-ordination and more efficiency.
- This approach is also justified by the regional, rather than national, dimension of transport and infrastructure networks and potential investors' interest in larger size markets.
- Investment efforts should be combined with achieving development goals; together they would bring more stability and security. Sustainability of investment would contribute to sustainability of economic development itself.
- A new approach to support investment and development could be realized in the form of the Central Asia and the Black Sea regions' Investment and Development Initiative (CABS IDI). It could be further elaborated to include geographical and/or thematic sub-programmes. The initiative would include countries of Central Asia (with adjacent Afghanistan as well as Mongolia), and the Black Sea region (except those already participating in the Investment Compact for South East Europe - for investment policy reforms).

Participants expressed support for the development of a new regional initiative. To enhance effectiveness and coherence, the initiative should be coordinated and integrated with existing efforts of bilateral, regional and international organisations.

This initiative would be guided by the following orientations:

- It would be demand driven, i.e. tailored to reflect the needs and priorities of the participating countries, based on active ownership of the participating countries;
- It would be based on commitments of the participating countries to economic and institutional reforms and reflect national ownership of the reform process;
- It would aim at concrete results, policy impacts and project generation based on sound economic analysis;
- It would build in periodical reviews of the results achieved;
- It would promote private-public dialogue and partnerships among the participating countries, OECD countries and international organisations.

The initiative discussed by the participants would have the following key components:

**1.1. Investment Reform Process (IRP):** A structured regional approach to improve investment environment in the regions.

- This would include an evaluation of policy reforms at national levels, the formulation of the priorities for future actions as well as capacity building support. Each country would be invited to formulate its priorities and time bound targets for investment reforms and achievements would be evaluated periodically benefiting from peer review procedures.
- In addition, working groups would be constituted to allow countries to benefit from each other's experiences. The working groups will address on a regional base key issues and gaps in the investment process including infrastructure, trade facilitation, and

financial sector reform and enterprise development. OECD would provide support to this programme drawing on the policy framework on investment and its methodologies to assess progress on investment reforms. Other international and regional organisations will be invited to contribute to this programme.

## II. Black Sea and Central Asia Economic Outlook (BSECAO)

(BSECAO would incorporate the BSEC countries, Central Asia and Afghanistan.) BSECAO would be modelled on the established OECD Development Centre regional outlooks and directed at fostering policy dialogue in the regions. It would:

- Provide economic analysts and decision makers with reliable data and authoritative analysis of macroeconomic and structural policies and performance.
- Include thematic cross-cutting issues in order to identify major hindrance to and highlight successful cases of policy reforms.

These programmes would be guided by a steering group composed of the participating countries, donor countries and contributing international organisations and private sector representatives.

Participants will meet again before the end of 2006 in Istanbul to consider the programme of work and the financial structure of the initiative. They called on donor countries and international organisations to provide support. The programme could start operations at the beginning of 2007 and would be designed for an initial period of three years.

The OSCE, also through its field presence in the participating countries would provide support to the national teams and the working groups.

Meetings would be held at the Istanbul Centre for the Private Sector Development and in the regions as appropriate.

Participants expressed the gratitude to the organisers, the Turkish government and TIKA for the organisation of the conference.

End Text.

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